

**Report on Estimating System and  
Internal Controls**

**April 2001**

**Reference Number 2001-1C-058**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**

**Redaction Legend:**

3a = Identifying information - Name of an Individual or Individuals



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

April 10, 2001

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

A handwritten signature in black ink, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Report on Estimating System and Internal Controls

The Defense Contract Audit Agency (DCAA) audited 3a-----  
3a-----estimating system to evaluate the adequacy of the system's internal controls for developing accurate, current, and complete cost estimates. These estimates are used for such purposes as pricing proposals, developing indirect expense rate forecasts, preparing indirect cost budgets, and developing estimates for contract financial reports and progress payment requests.

In summary, the DCAA took exception to the contractor's estimating system and related internal control policies and procedures. The DCAA reported that the contractor's estimating policies and procedures are inadequate, in part, for ensuring that proposal and final certified contract prices are based on accurate, complete, and current cost or pricing data. The DCAA recommended that the Administrative Contracting Officer (ACO) immediately require the contractor to submit a formal, detailed, time-phased corrective action plan to timely resolve all the cited deficiencies.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510, or Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organizations Programs), at (202) 622-8500.

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

TIGTA Seal

(removed due to size)